

March 29, 2013

To: Executive Board

Subject: **Puente Hills Mall Transit *Store* Remodel and Expansion**

Recommendation

Authorize the Executive Director to enter into a lease with Glimcher Realty Trust in the amount of Two Hundred Ninety Thousand Seventy Three Dollars and Twenty Four cents (\$290,073.24) of base lease payments to expand the Puente Hills Transit *Store* for a period of ten years commencing April 1, 2013.

Analysis

At the February 22, 2013 Executive Board meeting, the Board directed staff to commence negotiations with Glimcher concerning the proposed expansion of the Puente Hills Transit *Store*.

The Transit *Store* which began operating at the Puente Hills Mall in September 1994 has changed locations within the mall over the last 19 years. In 1999 the Transit *Store* relocated to space 571 near the Mall entrance with approximately 640 square feet of floor space.

Over the last 14 years, the Transit *Store* interior has not been remodeled or updated. At any given time during *Store* hours, there are between five and six Transit *Store* employees helping customers and answering telephone calls. The space is too small and confining to accommodate five desks, a small retail counter area, and back room with computer equipment and supplies in a very confined space. There is no lunch room or space for *Store* employees to eat their lunch.

On February 28, 2013 Glimcher submitted a lease proposal for spaces 571 and 569, which will expand and enlarge the Transit *Store* floor space to approximately 1,174 square feet. A counter-offer to Glimcher was submitted by Foothill Transit's administrative team after determining that the proposed rates were unreasonable. This evaluation is shown in the table below.

Since Glimcher's Ohio leasing staff was visiting Puente Hills Mall on March 4, 2013, they requested a site visit at the Mall and further negotiation of terms and conditions of the lease. During the site visit, it was evident the added space would provide much needed open space, lunch room, and a larger retail counter. After the site visit, further negotiations on the lease terms ensued. A final offer from Glimcher was received on March 12, 2013 (see table below and attached offer letter Attachment A).

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Lease Offer Table

Initial Offer 2/28/13	FT Counter Offer 2/28/13	Final Offer 3/12/13	Current Lease Terms
Base Lease at \$26 per square feet with 7% increase in years 3 and 7.	Base Lease at \$22 per square feet with 3% increase in years 3 and 7.	Base Lease at \$24 per square feet with 3% increase in years 3 and 7.	Base Lease at \$22 per square feet until 2015. Initial rate was \$22 per square feet from 2000 to 2010. 10% increase in 2010.
CAM \$24.28 per square feet with 3% fixed annual increase.	CAM \$24.28 per square feet with 1.5% fixed annual increase.	CAM \$24.28 per square feet with 3% fixed annual increase.	CAM \$24.28. Non-fixed increases. Historically, 9% annual based on actual CAM expenses.
Marketing \$2.20 per square feet with 3% fixed annual increase.	Marketing \$2.20 per square feet with 1.5% fixed annual increase.	Marketing \$2.20 per square feet with 3% fixed annual increase.	Marketing at \$2.19 per square feet, up 4% from \$2.10 in 2011.
Taxes \$10.31 per square feet with no annual increases.	Taxes \$10.31 per square feet with no annual increases.	Taxes \$10.31 per square feet with no annual increases.	Taxes \$10.31 per square feet with no annual increases.
Insurance at \$2.44 per square feet with no annual increases.	Insurance at \$2.44 per square feet with no annual increases.	Insurance at \$2.44 per square feet with no annual increases.	Insurance at \$2.44 per square feet with no annual increases.

Historically, the base lease increased 10 percent when the contract expired in 2010. The fixed three percent rate increases in years 3 and 7 provides Foothill Transit with a guaranteed low rate increase. With the Mall's occupancy rate of 94 percent, it is anticipated that future rate increases could get higher than three percent. Having a fixed rate increase of three percent in CAM expenses ensures that Foothill Transit will not share in any future added operating expense incurred by the Mall that are beyond the three percent threshold. The fixed marketing expense rate of three percent is also lower than the four percent increase in 2011. Based on these factors, Glimcher's final offer dated March 12, 2013 was determined to be fair and reasonable.


Budget Impact

Funding for the remodel and expansion of the Puente Hills Mall Transit *Store* is available in Foothill Transit's approved Fiscal Year 2013 budget, and will be included in the agency's future year operating budgets. Measure R funding is available for the increased operating costs. Federal and local funding is available for the Store remodeling.

Sincerely,



Roland M. Cordero
 Director of Facilities



Doran J. Barnes
 Executive Director

Attachments

Attachment A

March 22, 2013

RE: FOOTHILL TRANSIT STORE

Dear Roland,

This proposal sets forth the terms upon which Glimcher Realty Trust may be willing to lease space 571X at PUENTE HILLS. The terms and conditions of the proposed lease are as follows:

1. Landlord: PUENTE HILLS MALL, LLC
2. Tenant: FOOTHILL TRANSIT STORE
3. Legal Entity: Foothill Transit
4. Premises: 571X –Expansion into space 569.
5. Floor Area: Approximately 1,174 square feet
6. Term: 120 months
7. Delivery Date: 04/01/2013; In order to meet a 4/1 delivery, the lease must be executed no later than 3/31/13.
8. Use of Premise: Same as Existing Lease
9. Rental Commencement: Minimum Rent for the expansion space shall commence (i) 60 days from the date Landlord has delivered possession of the Premises to Tenant; or (ii) upon opening for business, whichever occurs earlier.

10. Minimum Annual Rent: (Months)	From	To	Dollars PSF	Annual Amount
	1	36	\$24.00	\$28,176.00
	37	85	\$24.72	\$29,021.28
	86	120	\$25.46	\$29,890.04
13. Additional Charges:	Charge Type		Dollars PSF	Annual Amount
	CAM		\$24.28	\$28,504.72
	Marketing		\$2.20	\$2,582.80
	Taxes		\$10.31	\$12,103.94
	Insurance		\$2.44	\$2,864.56

NOTE: CAM and marketing Fees are fixed with 3% annual increases.

14. Utilities: Tenant will be responsible for all separately metered utilities, per the existing lease.
15. Radius Restriction: None, per the existing lease.
16. Tenant's Work: Tenant will expand into space 569 and construct and open a first class location FOOTHILL TRANSIT STORE, per Landlord's approvals and specifications.
17. Condition of Premises: Landlord shall deliver the space in "As Is" condition.
18. Lease Form: Glimcher Realty Trust to prepare lease documents.
19. Signage: Subject to Landlord's and City approvals, Tenant may install its standard logo and signage.
20. Continuous Operation: Tenant shall occupy the premises and continuously operate therein during the entire term of the lease.

Tenant shall continue to pay \$12,000 per year, per the existing license agreement towards reimbursement costs incurred by Puente Hills Mall
21. Contingencies: This proposal is specifically contingent upon:
 - a. Approval from Landlord's Real Estate Committee.
 - b. Fully executed lease documents.

This proposal does not constitute a reservation of space, an offer to lease the premises, or an offer to negotiate or continue negotiations for a lease. No legal obligation will be created by this proposal, the submission of draft documents to you, or any other written or oral communications until a binding lease, if any, is fully executed and delivered by both Landlord and Tenant. This proposal is not all inclusive of the terms on which Landlord would enter into a lease.

Should you have any questions regarding this proposal, please feel free to call. We look forward to your favorable response.

Sincerely,

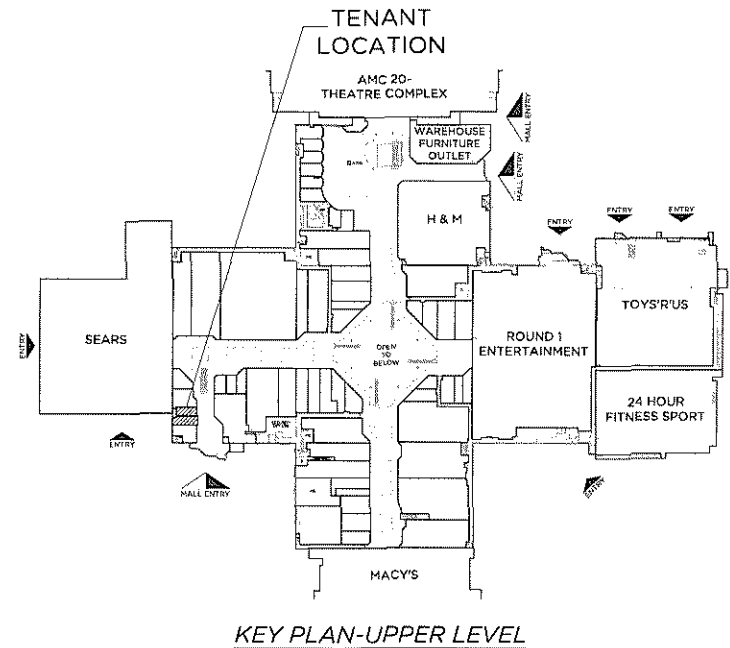
Ethan Moss
Leasing Representative
GLIMCHER REALTY TRUST

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2013.

By: _____

Its: _____

PUENTE HILLS



Attachment B